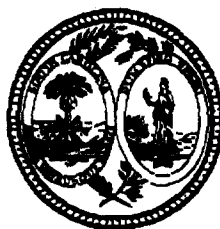


State of South Carolina



Public Service Commission

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Chairman

GUY BUTLER

Vice Chairman

Cecil A. Bowles

Commissioner

WARREN D. ARTHUR, IV

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Commissioner

CHARLES W. BALLENTINE

Executive Director

(803) 737-5120

GARY H. WALSH

Deputy Executive Director

(803) 737-5133

FACSIMILE: 737-5246

DATE: JULY 31, 1996

TO: THE HONORABLE REED HUNDT, CHAIRMAN
FEDERAL COMMUNICATIONS COMMISSION
FAX NO: 202 418-2801
PHONE NO:

FROM: THE SOUTH CAROLINA COMMISSION
PHONE NO: (803) 737-5270

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MESSAGE:

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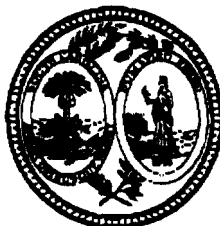
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July 31, 1996

The Honorable Reed Hundt, Chairman
Federal Communications Commission
1919 M St., N.W., Room 814
Washington, D.C. 20554

Dear Chairman Hundt:

We are writing on behalf of the Public Service Commission of South Carolina with regard to your pending rulemaking on interconnection under the Telecommunications Act of 1996 (the "Act"). We begin by noting that we certainly appreciate the tremendous work effort already undertaken by you and your staff in dealing with these complex issues. We commit to you our resolve to employ every means at our disposal to work with these issues as they arise in South Carolina.

We feel we must express serious concern with several issues that have arisen in the context of your proposed actions. As you know, particularly in states such as South Carolina that contain significant rural areas, local telephone service has been traditionally supported by a carefully constructed system of implicit subsidies, including revenues from access services, toll and vertical services. The transformation of the local telephone industry must be accomplished through a universal service mechanism which encourages competition and at the same time fosters the public interest inherent in affordable local telephone service. We feel strongly that this effort must be undertaken at the level of the state regulatory authority. Only then can appropriate consideration be given to the local conditions and history that have brought South Carolina to this particular point.

We are particularly concerned about the FCC's possible actions related to the bypass of access charges by the purchasing of unbundled services, the requirement to unbundle or sell at an excessive discount vertical

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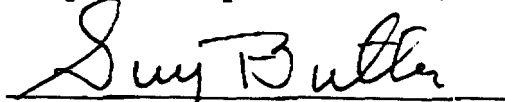
The Honorable Reed E. Hundt
July 31, 1996
Page Two


services such as call waiting and the rebalancing of access services. Each of these services provide a substantial contribution to local residential service and inappropriate actions would cause a serious impact on revenues to the local telephone companies in South Carolina.

Access bypass through the purchase of unbundled network components should not be allowed at this time and should be considered in conjunction with universal service issues. The rebalancing of access services must be accomplished in such a manner that the unique demographics of a state are recognized and dealt with to insure that universal service is preserved, especially in the rural areas. FCC establishment of specific access charge prices or structural guidelines would not allow us the flexibility we strongly believe we need to deal with this problem. Similarly, the contribution from vertical services should not be severely impacted by decisions to require inappropriate unbundling or to mandate excessive resale discounts.

We certainly appreciate and commend the FCC for the massive and somewhat thankless effort required to implement the Telecommunications Act. We wish to call these matters, which are very important to us, to your attention as you finalize your decisions. Thank you for considering this letter and allowing us to raise these matters.

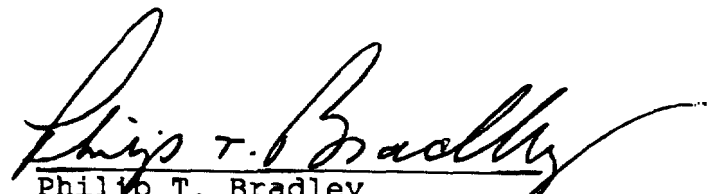
Respectfully submitted,

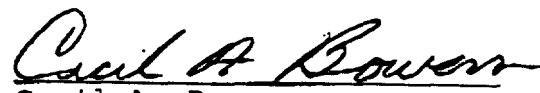

Guy Butler, Chairman

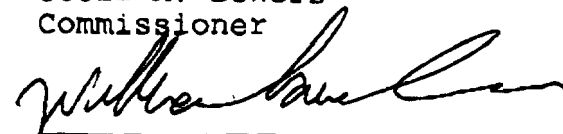

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